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## UTStarcom Execs Settle SEC Charges

The Recorder

By Zusha Elinson

May 5, 2008

Troubled Alameda telecom company **UTStarcom Inc.** and two of its executives settled charges with the Securities and Exchange Commission Thursday.

Accused of violating securities laws in connection with revenue recognition problems, CEO Hong Liang Lu and former CFO Michael Sophie agreed to pay \$100,000 and \$75,000 respectively. The company also agreed not to violate securities laws but didn't pay a fine.

"These are fairly high penalties considering there are no fraud charges," said Marc Fagel, co-acting regional director in the SEC's San Francisco office. "We did not sue them for fraud; this was more of a negligence-type case."

Over the past two years, UTStarcom restated past financial results three times. As a result of the backdating, the company had to restate its expenses for 1998 to 2006 by about \$27 million. The company also made restatements reversing more than \$300 million in net revenue stemming from problems with how Asian offices booked revenue.

The SEC claimed that Lu and Sophie violated securities laws by falsely certifying that the company's financial statements and books and records were accurate. An SEC administrative order also found that the company violated securities laws.

Although Sophie left the company two years ago, Lu remains CEO.

UTStarcom's troubles are far from over, according to public filings. The company is still under investigation by the Department of Justice and the SEC for possible **Foreign Corrupt Practices Act violations** in connection with allegations that someone at the company's Mongolia joint venture bribed a government official there.

John Kecker of Kecker & Van Nest, who represents Lu, did not return phone calls seeking comment. Boris Feldman of Wilson Sonsini Goodrich & Rosati, who represents the company, was traveling Friday and could not be reached.


Sophie's lawyer David Siegel, of Irell & Manella, said his client was "pleased to have the matter closed."

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